VENTURE MANITOBA TOURS LTD.

FINANCIAL STATEMENTS

MARCH 31, 2000

Scarrow & Donald

SCARROW & DONALD
CHARTERED ACCOUNTANTS
100-Five Donald Street
Winnipeg, Canada R3L 2T4
Telephone (204) 982-9800
Fax (204) 474-2886

May 5, 2000

AUDITORS' REPORT

To the Directors of
Venture Manitoba Tours Ltd.:

We have audited the balance sheet of Venture Manitoba Tours Ltd. as at March 31, 2000 and the statements of operations and deficit and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

Scarrow & Donald

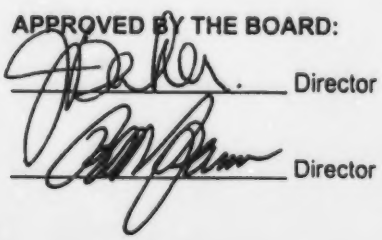
Chartered Accountants

VENTURE MANITOBA TOURS LTD.

BALANCE SHEET

	March 31 2000	March 31 1999
ASSETS		
Current assets:		
Cash	$ -	$ 40,771
Accounts receivable	113,582	146,207
Inventories	182,648	155,858
Prepaid expenses	47,667	57,221
	343,897	400,057
Capital assets (Note 2)	4,895,157	4,418,473
	$ 5,239,054	$ 4,818,530
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Cheques issued in excess of funds on deposit	$ 25,763	$ -
Bank loan (Note 3)	4,745,000	4,290,000
Accounts payable and accrued liabilities	480,032	362,478
Advance deposits	144,175	238,624
Capital lease obligation - current portion	132,057	123,768
Advances from the Province of Manitoba, repayable on demand	250,000	250,000
	5,777,027	5,264,870
Long-term capital lease obligation (Note 6)	296,480	428,537
	6,073,507	5,693,407
Going concern considerations (Note 1)		
Shareholder's deficit:		
Share capital-		
Authorized-		
Unlimited number of common shares		
Issued-		
3,643,500 common shares	3,643,500	3,643,500
Contributed surplus	257,910	257,910
Deficit	(4,735,863)	(4,776,287)
	(834,453)	(874,877)
	$ 5,239,054	$ 4,818,530

APPROVED BY THE BOARD:



Director

Director

VENTURE MANITOBA TOURS LTD.

STATEMENT OF OPERATIONS AND DEFICIT

	Year ended March 31 2000	1999
Revenue	$ 5,090,388	$ 5,067,878
Cost of sales	3,033,324	2,947,684
Gross profit	2,057,064	2,120,194
Operating expenses	1,184,850	1,097,994
	872,214	1,022,200
Amortization	550,793	531,016
Interest expense:		
Current	268,551	282,309
Long term	30,766	33,766
Net income before other income	22,104	175,109
Other income:		
Gain on disposal of fixed assets	18,320	51,058
Net income	40,424	226,167
Deficit, beginning of year	(4,776,287)	(5,002,454)
Deficit, end of year	$ (4,735,863)	$ (4,776,287)

VENTURE MANITOBA TOURS LTD.

STATEMENT OF CASH FLOW

	Year ended March 31 2000	1999
Cash provided by (used in):		
Operating activities-		
Cash receipts from customers	$ 5,123,013	$ 5,164,150
Cash paid to suppliers and employees	(4,212,302)	(4,030,598)
Interest paid	(299,317)	(316,075)
	611,394	817,477
Investing activities-		
Additions to capital assets	(1,010,910)	(1,163,838)
Disposal of capital assets	1,750	554,881
	(1,009,160)	(608,957)
Financing activities-		
Bank loan	455,000	(295,000)
Capital lease obligation	(123,768)	80,765
	331,232	(214,235)
Change in cash	(66,534)	(5,715)
Cash, beginning of year	40,771	46,486
Cash, end of year	$ (25,763)	$ 40,771

VENTURE MANITOBA TOURS LTD.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2000

1. **Organization, Going Concern Considerations and Significant Accounting Policies:**

The financial statements have been prepared in accordance with generally accepted accounting principles. An assumption underlying the preparations of financial statements in accordance with generally accepted accounting principles is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

a) Organization-

The Company is incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owns Hecla Golf Course and the Gull Harbour Resort and Conference Centre. The Company operates these facilities under lease agreements with the Province. These facilities are situated in the Hecla Provincial Park and are not subject to realty taxes.

The Province of Manitoba also owns the Falcon Lake Golf Course and Games area. The Company operates this facility under an agreement with the Province of Manitoba. The Company is responsible for the operating costs of the golf course and games area and, in return, will realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

b) Going Concern Considerations-

These financial statements have been prepared using the assumption that the Company will continue operating as a going concern. As the Company has incurred substantial losses resulting in significant deficit and working capital deficiency, the ability of the Company to continue operating as a going concern is dependent on continued financial support from the Province of Manitoba. Should the Province not continue to provide financial support, the Company may not be able to continue operating as a going concern and the net realizable value of the assets may be substantially less than their carrying values.

c) Accounting Estimates-

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. Examples include the allowance for doubtful accounts, loss provisions and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

d) Financial instruments-

Fair value is the amount that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value is an estimate, which is significantly affected by the assumptions and methods used in its determination. Further, estimation of fair value involves the use of subjective judgements and uncertainty. Fair value should not be interpreted as an amount which could be realized in immediate settlement of the instruments. With the exception of long term debt, management has estimated that the fair value of all financial instruments approximate their cost, as there is no active market for the assets and liabilities of the company that are financial instruments. For long-term debt, it is not practicable to estimate fair value as other than historical cost with sufficient reliability to disclose it in these financial statements.

1. **Organization, going concern considerations and significant accounting policies** (cont'd):

e) Inventories-

Inventories are valued at the lower of cost (based on the first-in, first-out method) and net realizable value.

f) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives. This requires estimation of the useful life of the asset and its salvage and residual value. At the end of each accounting period management considers whether there has been a permanent impairment in the value of capital assets including goodwill, by estimating the net recoverable amount of the unamortized portion. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

The capital assets are recorded at cost less applied grant funds and accumulated depreciation. Amortization is being provided for by the straight-line method over the following estimated useful lives:

Building additions	40 years
Leasehold improvements	5 to 40 years
Furniture and fixtures	10 years
Staff quarters	10 to 25 years
Parking lot	25 years
Computer equipment	3-1/3 years
Vehicles	3-1/3 years
Equipment under capital lease	5-1/2 years

These financial statements do not include the Hecla Golf Course, Falcon Lake Golf Course and Games Area and part of the Gull Harbour Resort and Conference Center which are owned by Province of Manitoba.

g) Non-monetary transactions-

Non-monetary exchanges of services are recorded at the fair market value of the services provided or received.

2. **Capital assets:**

	March 31			
	2000		1999	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building additions	$ 1,897,886	$ 693,963	$ 1,897,886	$ 646,516
Leasehold improvements	1,584,242	427,196	1,562,383	384,049
Furniture and fixtures	1,695,444	1,268,026	1,572,134	1,124,800
Staff quarters	608,702	187,517	414,579	170,873
Parking lot	362,687	58,696	362,687	44,188
Golf Course improvements	738,243	32,264	196,392	13,538
Computer equipment	188,187	161,983	180,336	148,319
Vehicles	875,698	655,374	751,684	537,033
Equipment under capital lease	686,102	257,014	686,102	136,394
	$ 8,637,190	$ 3,742,033	$ 7,624,183	$ 3,205,710
Net book value	$ 4,895,157		$ 4,418,473	

3. **Bank loan:**

The bank loan is due on demand, accrues interest at the prime rate and is guaranteed by the Province of Manitoba to a maximum of $5,527,000.

4. **Lease obligations:**

(a) The Company operates the Gull Harbour Resort and Conference Centre, the Hecla Golf Course, and the Falcon Lake Golf Course and Games Area under lease agreements with the Province of Manitoba. Lease payments of $140,367(1999 - $140,803) were made to the Province. At year end, accounts payable include $148,767 (1999 - $80,573) relating to the lease agreement with the Province.

(b) The Company rents space and equipment under various operating leases which expire through 2005. The future minimum lease payments under these operating leases for the remaining lease terms are as follows.

2001	$	161,548
2002		155,619
2003		4,374
2004		2,311
2005		1,156
	$	325,008

5. **Government reporting entity - related parties:**

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

During fiscal 2000 and 1999, the Company transacted with the following three entities in the Government Reporting Entity above the specified level of $100,000. Payments of $139,282 and $134,195 were made to Manitoba Hydro for 2000 and 1999 respectively. Payments of $166,033 and $167,468 were made to the Manitoba Liquor Control Commission in 2000 and 1999 respectively. Lease payments of $140,367 and $140,803 were made to Manitoba Natural Resources in 2000 and 1999 respectively. Revenues included $102,896 and $106,416 from Manitoba Hydro for 2000 and 1999 respectively.

As at March 31, 2000 and 1999, the Company had amounts receivable from and payable to entities in the Government Reporting Entity as follows:

		2000		1999
Receivable from:				
Manitoba Hydro	$	4,659	$	34,852
Department of Natural Resources		302		-
	$	4,961	$	34,852
Payable to:				
Manitoba Hydro	$	890	$	-
Department of Natural Resources		148,767		80,573
Department of Finance - Insurance and risk Management		8,450		7,915
Department of Finance - Provincial Sales Tax		5,957		13,517
	$	164,064	$	102,005

6. **Future minimum lease payments under capital leases:**

The Company has obligations under various capital leases for golf carts, telephone equipment and a photocopier, which expire through 2003.

2001	$ 154,533
2002	154,533
2003	155,622
2004	12,078
	476,766
Amount representing interest	(48,229)
Balance of obligation	$ 428,537

7. **Uncertainty due to the year 2000 issue:**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.